

CITY OF DANVILLE
INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT
FOR THE PERIOD
JULY 1, 2012 THROUGH JUNE 30, 2013

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City of Danville

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Trent Henkelvig	Mayor	Dec 2013
Bob Hesler	Council Member	Dec 2013
Jerry Strause	Council Member	Dec 2015
Duane Worthy	Council Member	Dec 2015
Doug Fraise	Council Member	Dec 2013
Shaun Langan	Council Member	Dec 2015
Sue Rogers	City Clerk	Indefinite
Jerry Goddard	Attorney	Indefinite

TED M. WIEGAND, CPA

606 East Madison Street

Mount Pleasant, Iowa 52641

Independent Accountant's Examination Report

To the Honorable Mayor
and Members of City Council:

I have performed an examination of the City of Danville pursuant to Chapter 11.6 of the Code of Iowa. Accordingly, I have applied certain tests and procedures to selected accounting records and related information of the City of Danville for the period July 1, 2012 through June 30, 2013. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The procedures I performed are summarized as follows:

1. I reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. I reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. I reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. I obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. I reviewed City funds for consistency with the City Finance Committee's (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. I reviewed the City's fiscal year 2012 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. I reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. I reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. I reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.
10. I reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.

City of Danville

Detailed Recommendations

For the period July 1, 2012 through June 30, 2013

11. I reviewed transfers between funds for propriety, proper authorization and accurate accounting.
12. I reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
13. I reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, I identified various recommendations for the City. My recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

I was not engaged to and did not conduct an audit of the operations of the City of Danville, the objective of which is the expression of opinions on financial statements. Accordingly, I do not express opinions on the City's financial statements. Had I performed additional procedures, or had I performed an audit of the City of Danville, additional matters might have come to my attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Danville and other parties to whom the City of Danville may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Danville during the course of the examination. Should you have any questions concerning any of the above matters, I would be pleased to discuss them with you at your convenience.

TED M. WIEGAND, CPA

January 2, 2014

City of Danville

Detailed Recommendations

For the period July 1, 2012 through June 30, 2013

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparation and distribution.
- (5) Utilities – billing, collecting, depositing and posting.
- (6) Financial reporting – preparing and reconciling.

Recommendation – I realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations and also employee timesheets should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) Depository Resolution – The City's depository resolution does not specify the maximum amount that may be kept on deposit at the Bank.

Recommendation – The City should adopt a depository resolution that includes a statement of the maximum amount that may be kept on deposit at the Bank.

- (C) Investment Policy – The City's investment policy dated in 1992 is out of date, as it is based on Iowa Code Chapter 452.

Recommendation – The City should adopt a new investment policy to comply with the provisions of Chapter 12B.10B of the Code of Iowa.

- (D) City Council Minutes – City Council minutes for one meeting were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. Minutes for two meetings were not signed.

Recommendation – The City should comply with the Code of Iowa and publish City Council minutes within fifteen days, as required. All meeting minutes should be signed.

- (E) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check for its bank accounts.

Recommendation – The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

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- (F) Public Purpose Documentation – Regarding two disbursements in the amounts of \$10.04 and \$29.92, the public purpose of the disbursement was not readily apparent and no documentation was present to explain the public benefits of the disbursements. Appropriate verbal explanations were given.

Recommendation – The City should include documentation with disbursements that explains the public benefit of any disbursement that may appear to be questionable.

- (G) Disbursements – Sales Tax – The City of Danville is exempt from paying sales tax. One disbursement reviewed included a payment of \$3.85 for sales tax that the City should not have to pay.

Recommendation – The City should review each invoice paid to ensure sales tax is not needlessly paid.